

POCONO RECORD

Guaranteed income: The antidote to market volatility

By **Ralph Grauso** | Jul. 9, 2016

The decision by the United Kingdom to leave the European Union, dubbed Brexit, is just the latest example of market volatility.

The first half of the year has tested the nerves of investors, but there are ways to calm the fears, one being sources of guaranteed income.

Whether you are already retired or simply beginning a retirement plan, the following ways to build a strong base of guaranteed income.

Social Security

Most retirees receive the lion's share of their guaranteed income from Social Security. The most important decision you'll make regarding your Social Security income is when to start receiving benefits. The temptation might be there to take Social Security at age 62. After all, it is your right to do so. But it's important to evaluate all of your options before making that decision.

In most cases, it pays to wait, literally. The income you receive from the government is increased significantly for each year that you delay starting benefits until age 70. Also, claiming early has consequences. If you are married and claim early you are forever reducing the survivor benefit available to your spouse (if your benefit amount is greater than theirs).

Pension plans

Company pensions are another source of guaranteed income that Americans have relied on to see them through their retirement years. While pensions continue to be a source of income for many retirees, dependence on pensions has dropped due to numerous factors. In some cases, companies have slashed retiree benefits in pension funds. In other examples, companies made investments that left their pension funds at risk. To combat the scarcity and volatility of many of today's pensions,

many consumers have responded by taking more of an ownership role of their finances by investing in IRAs and Roth accounts.

Annuities

Annuities are another way to gain guaranteed income. An annuity is an insurance product and buyers make one lump-sum payment in exchange for guaranteed monthly income for life. For many, the annuity is a preferred financial vehicle because it can guarantee that its owner will not outlive the income it provides. The following are two of the preferred annuity options for guaranteed income.

Immediate annuities

With an annuity, the buyer can decide how they want to receive payments. One way is choosing to receive payments immediately (immediate annuity). One of the biggest advantages of an immediate annuity is that it can provide the opportunity to receive guaranteed income for life, regardless of what occurs in the market, or even in the economy.

Deferred annuity

Deferred annuities have two phases. The accumulation phase allows the investor to earn interest on their investment. In the distribution phase the account is annuitized. An advantage is the investment gains are tax-deferred until you begin taking withdrawals. Another is that you can purchase a deferred annuity with a single premium or on an installment basis. By waiting, a deferred annuity could be lower in cost and have a larger payout.

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